

**Senate Committee on Economic Development
October 22, 2014
Discussion of SB 1097**

Talking Points for Kara Wood and Jennifer Owens

Thank you for the opportunity to speak today about SB 1097. We appreciate Senator Jansen's leadership on this important issue. I would like to share with you the background on this unique economic development program and the collaboration the City of Grand Rapids SmartZone has formed with Lakeshore Advantage, the City of Holland, Holland Charter Township, Ottawa County and Michigan State University BioEconomy Institute.

In 2002, Michigan created 11 SmartZones, in accordance with Act 281, which provide geographical locations where technology-based companies, entrepreneurs and researchers locate in close proximity to all of the community assets that assist them build businesses, and ultimately high paying jobs. The number has since grown to 15 statewide. Innovation clusters equate to stronger local and state economies, more jobs, and a higher quality of life. Economic relevance is the key to a 21st century economy, and economic benefit cannot be confined to municipal boundaries. Every city in the state is seeking to attract and retain talent, and the cities that are successful in doing so will reap in the benefits that will range from business creation, increased tax revenue, and overall sustainability.

SmartZone technology clusters promote resource collaborations among universities, industry, research organizations, government and other community institutions. Of these 15, 11 SmartZones have business incubators to nurture and grow start-up companies. According to data provided by the Michigan Economic Development Corporation, since the inception of the SmartZone program in 2002, more than 1,128 businesses have located or expanded in the zones,

resulting in more than 18,500 jobs and \$1 billion in private investment and significant property tax increases.

The work of the 15 SmartZones across Michigan drives innovation and entrepreneurship within these communities, their regions and the State. The small change the bill requests will make a significant difference in job creation, business formation and wealth creation. It will continue important investment in the incubation and acceleration services needed to create new businesses, leverage investment and commercialize technologies that drive new job creation.

In 2008, the legislature amended Act to allow for three satellite districts to be established. This allowed for the continuation of school tax increment collection for an additional 15 years in the Grand Rapids SmartZone and Holland and Holland Charter Township's joint SmartZone to collect for 15 years. This is significant, because in Grand Rapids this represents 53% of the current amount of investment that we are currently investing to support these business services. The tax investment, by the State and local units of government, have leveraged over \$1 billion in private investment, giving Michigan taxpayers more than an eleven-fold return on investment. Working closely with private investors, developers, and groups such as StartGarden, Spectrum Innovations, MSU College of Human Medicine and Van Andel Research Institute, the Grand Rapids SmartZone has successfully leveraged over \$1 Billion in economic development, building catalytic businesses from the ground up and supporting important infrastructure projects within the district that include reconstructing roadways, building conduit for fiber optic connectivity, and connecting the Medical Mile to our near neighborhoods in cooperation with MDOT. These investments have attracted thousands of jobs to the region and repositioned Downtown Grand Rapids from its bleak condition in the 1980s to the vital civic and economic hub for the state.

The Grand Rapids SmartZone manages a high-tech incubator for life science, medical device and high-growth start-ups or small businesses and a co-working office where the services are delivered to entrepreneurs. Over the past 15 years, more than \$1 billion has been invested in science, technology and health care in the SmartZone.

The MEDC's administrative guidelines were issued earlier this year and the requirements were to be met on a first come first served basis. Unfortunately, due to the length of time it takes to establish an LDFA in accordance with the Act, the Holland SmartZone satellite district proposal was received fourth.

And now I'd like to turn it over to my colleague Jennifer Owens, President of Lakeshore Advantage.

The Grand Rapids SmartZoneSM LDFA and the Holland Authority have determined it is to their mutual benefit to cooperate and collaborate in furtherance of the prevention of conditions of unemployment and the promotion of economic growth and in the development of high technology activity through promotion, incubation, acceleration and commercialization of such businesses by having the Holland Authority District designated a certified technology park (the "Satellite SmartZoneSM District") pursuant of Section 12b of Act 281.

The two parties agree that there are unique characteristics and specialties offered in the Holland Authority District. The designation of the Holland Authority District as a Satellite SmartZoneSM District is unique in that it will, through Grand Valley State University and its Richard M. and Helen DeVos Center for Entrepreneurship and Innovation as an original significant partner and major service provider of the Grand Rapids SmartZoneSM and whose main campus is located in the same county, i.e. Ottawa County, as the Holland Authority and who is also a partner of the

Holland Authority along with the Holland's other partners, enable regional growth of high technology activity through entrepreneurship and innovation. Lakeshore Advantage already has a strong working relationship The Right Place Inc. as it relates to business development and attraction. The designation of the Satellite SmartZoneSM District will make available Lakeshore Advantage's BioBusiness Accelerator at Michigan State University's Bioeconomy Institute, located within the Holland Authority District, and its extensive facilities and equipment; unique specialties that will assist in the creation and growth of high technology businesses benefiting "clients" of both the Grand Rapids SmartZoneSM and the Holland Authority.

The collaboration of the Grand Rapids SmartZoneSM and the Holland Authority through the designation of the Holland Authority District as a Satellite SmartZoneSM District will provide a platform for greater cooperation and collaboration to retain, create and grow high technology enterprises and employment within a region, i.e. the West Michigan Region, through a strategy of combined marketing and complimentary education, training and networking events.

The designation of the Holland Authority District as a SmartZoneSM Satellite District adds value and economy to the Grand Rapids SmartZoneSM's mission by (a) enabling greater joint marketing of the West Michigan Region as a region for entrepreneurship and innovation, (b) providing the services, facilities and resources offered by the Holland Authority and its partner Lakeshore Advantage and/or within the Holland Authority District including, importantly, the Michigan State University Bioeconomy Institute and (c) encouraging and promoting regional collaboration of high technology activity within the West Michigan Region.

In connection with the designation of the Holland Authority District as a Satellite SmartZoneSM District, the Holland Authority makes the same representations and covenants as it relates to requirement to report, have an annual operating budget of at least \$200,000 and submit a plan detailing the collaboration.

You will also hear from Jim Fisher, representing Talent 2025, who, in partnership with regional stakeholders is working toward a regional entrepreneurial ecosystem that encourages and supports a vibrant and inclusive entrepreneurial culture in West Michigan. A new non-profit, E-Merge West Michigan, has been established to increase alignment, geographic coverage, and long-term sustainability for the entrepreneurial activities currently supported by local units of government, non-profits, the Michigan Strategic Fund and other public and private sources.

As a result of encouraging a regional approach to economic development, workforce development and entrepreneurial service provision, TALENT 2025 is leading an effort to retain, attract and develop greater entrepreneurial talent as a key strategy for the region.

The organization will provide a well-structured implementation plan for developing a regional entrepreneurial ecosystem. It is important to emphasize that a key component and value of the plan will be the engagement of key partners in the development and assimilation of the plan.

The plan will build upon the existing organizations supporting and delivering outcomes in the entrepreneurial ecosystem, identify gaps in the ecosystem, and ensure the long-term sustainability of the ecosystem to ensure investment and job creation is above and beyond what is currently being delivered and in more business sectors and skill levels.

This is an important economic development tool that has provided a platform for success and has proven results.

Thank you again for the opportunity to address you today. Please know the City of Grand Rapids and Lakeshore Advantage look forward to more progress as this legislation moves forward.

- Bill Sponsor-Sen. Jansen or Marnie Wills
- Kara & Jennifer
- David Bertram-MSU
- Jim Fisher-Talent2025
- Holland/Holland Ch Twp/Ottawa Co/Holland LDFA-Al Vanderberg & Craig Hall
- GR Chamber Rick Baker/West Coast Chamber Jane Clark

Supporters:

- MML
- MEDC
- Tech Town Detroit-Michael O'Rourke, TechTown's Managing Director, Real Estate Programming & Operations
- Traverse City